

Message Text

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ACTION EUR-12

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INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC PRIORITY 915
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ALSO FOR USEEC AND USOECD

E.O. 11652: N/A
TAGS: ECON, ELAB, NL
SUBJ: CURRENT COMPROMISE OVER PROFIT SHARING SCHEME

REF:(A) THE HAGUE 3824, (B) THE HAGUE 418, (C) THE HAGUE A-108,
SEPTEMBER 24, 1976, (D) THE HAGUE 5145

1. THE AGREEMENT OF LABOR, CHRISTIAN DEMOCRATIC, AND D-66
PARTIES TO RESUME THEIR EFFORTS UNDER PRIME MINISTER DEN UYL
TO FORM A NEW GOVERNMENT (SEE REF (A)) WAS ACHIEVED BY GO-
BETWEEN DR. WILLEM ALBEDA THROUGH A SERIES OF COMPROMISES ON
VARIOUS CONTENTIOUS PROVISIONS OF THE PROPOSED PROFIT SHARING
LEGISLATION (VAD).THE MOST SIGNIFICANTOF THESE COMPROMISE
PROVISIONS INCLUDE:

- 1) WHEN PASSED, VAD WOULD APPLY TO "EXCESS PROFITS" BEGINNING
WITH CALENDAR YEAR 1977 (RATHER THAN 1978);
- 2) ALL FIRMS HAVING GROSS PROFITS OF AT LEAST 200,000 GUILDERS
(2.41 GUILDERS EQUAL \$1.00) , RATHER THAN THE PREVIOUSLY
PROPOSED 250,000 GUILDER LEVEL, WOULD BE SUBJECT TO VAD ON
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- THEIR "EXCESS PROFITS";
- 3) THE VAD RATE ON "EXCESS PROFITS" WOULD INITIALLY AMOUNT
TO 20 PERCENT (RATHER THAN 10 PERCENT) IN 1977 AND WOULD BE
INCREASED ANNUALLY THEREAFTER BY ONE PERCENT DURING THE TERM OF
THE NEW GOVERNMENT;
 - 4) PART OF THE VAD PAID BY A GIVEN FIRM MAY BE DISTRIBUTED
TO THAT FIRM'S EMPLOYEES UP TO A MAXIMUM OF 3 PERCENT (RATHER

THAN 2 PERCENT) OF THE BASIC WAGE ON WHICH SOCIAL SECURITY PAYMENTS ARE CALCULATED AND THAT AMOUNT MAY BE DEDUCTED BY INDIVIDUAL FIRMS IN DETERMINING THE FIRM'S REGULAR INCOME TAX;

5) THE REMAINDER OF "COLLECTIVE SHARE" OF VAD WOULD BE ADMINISTERED BY TRADE UNIONS AND GOVERNMENT (RATHER THAN JUST BY TRADE UNIONS) AND WOULD BE USED TO IMPROVE OLD AGE PENSIONS (RATHER THAN FOR THE GENERAL BENEFIT OF EMPLOYEES).

2. COMMENT: THESE COMPROMISE PROPOSALS REFLECT A HURRIED AND PATCH-WORK JOB DESIGNED TO PERMIT THE THREE PARTIES TO MOVE ON TOWARD RESOLVING OTHER ISSUES IN SEEKING TO FORM A NEW GOVERNMENT. THE COMPROMISES THEMSELVES MAY BE SUBJECT TO FURTHER REVIEW, INTERPRETATION, AND AMENDMENT BY BOTH THE CABINET OF THE NEW GOVERNMENT AND BY PARLIAMENT. AT THIS STAGE ONE COULD SAY THAT THE SUBJECT OF AN EXCESS PROFIT SHARING SCHEME IS STILL VERY MUCH ALIVE AND STILL A SOURCE OF CONSIDERABLE CONTROVERSY AND SERIOUS CONCERN TO THE BUSINESS COMMUNITY AND TO FOREIGN INVESTORS. THE FINAL AND DETAILED FORM IN WHICH VAD LEGISLATION MAY DEVELOP, INCLUDING TIMING, REMAINS TO BE SEEN AND THEN EVALUATED.

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Message Attributes

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